Commission for the
Review of Social Assistance
in Ontario

Discussion Paper 2:

Approaches for Reform

February 2012

Ontario

The Vision: *A 21st century income security system that enables all Ontarians to live with dignity, participate in their communities, and contribute to a prospering economy.*

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Message from the Commissioners

In the 2008 Poverty Reduction Strategy, the Ontario government committed to reviewing social assistance — Ontario Works and the Ontario Disability Support Program (ODSP) — with a focus on removing barriers and increasing opportunities for people to work. It subsequently appointed the Social Assistance Review Advisory Council (SARAC) to provide advice on a proposed scope for the review. Taking into account the advice of the Council, the government established the Commission for the Review of Social Assistance in Ontario in November 2010.

Our task is to carry out a comprehensive review and provide specific recommendations for improving the social assistance system. The government has also asked us to provide advice on how an Ontario housing benefit aligns with social assistance reform.

This paper advances the dialogue with Ontarians that we began in our discussion paper "Issues and Ideas" in June 2011, and continued over the summer and fall through community visits and other opportunities to engage with people and organizations with diverse perspectives on social assistance.

We encouraged conversations that would bring together different voices and reflect regional and community perspectives on social assistance. In all, more than 2,000 people had the opportunity to contribute through the 11 community conversations in which we participated. Many other communities organized sessions to discuss the issues raised in the discussion paper and to brainstorm solutions to share with us. We also met with numerous provincial networks and organizations, including employer and labour groups. The Commission received over 700 written submissions.

We also held separate discussions with First Nations to ensure that approaches to reform would reflect their unique needs and priorities. We engaged with First Nations through the Chiefs of Ontario, political leadership and individuals in communities around the province, and social assistance administrators through the Ontario Native Welfare Administrator's Association.

To incorporate the views and experiences of Aboriginal people living off-reserve, we engaged with the Ontario Federation of Indian Friendship Centres.

Some of the key themes that emerged from the engagement process are highlighted in this paper. A more detailed summary of the responses to the discussion paper is provided in a separate report, "What We Heard: A Summary of Discussions on Social Assistance," posted on our website (see page 58 for more information).

In addition to engaging with Ontarians, the Commission conducted research to learn more about the issues in social assistance and the experiences of other jurisdictions. We also met with academics, technical experts and others to address gaps in our understanding.

Based on our discussions and research, we have come to the view that we need to transform the social assistance system; small fixes will not be enough. Across the province, people asked us to be bold in thinking about how to reform the social assistance system. While many identified specific policies or rules that are not working under the current system, they also called for more fundamental change to the system as a whole.

We have also found that policies and programs in many other areas create challenges for social assistance and constrain approaches to reforming the system. These challenges are of two types. First, since social assistance is where people turn when they cannot be helped by other income support programs, inadequacies in other programs, such as Employment Insurance, put pressure on the social assistance system. Second, there are factors that make it difficult to help people move into employment. These include, among other things, the nature of the labour market and the lack of health and other benefits for many low-income workers.

The connections between social assistance and so many other areas suggest that some of the solutions lie outside the system. While our mandate is focused on making recommendations to improve social assistance, we will be commenting on these connections in our final report.

Over the coming months, we will be developing recommendations for a sustainable social assistance system for the future. We are aware of the challenging fiscal conditions currently facing governments and the backdrop of economic uncertainty that can affect our goal of improving employment outcomes for people receiving social assistance. In considering fundamental reform to the system, we know that some changes will take longer to implement than others.

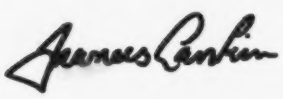
Our purpose in this paper is to discuss different approaches to improving some of the key areas of the social assistance system. This paper provides

opportunities for further discussion, as opposed to final recommendations. As our work unfolded, we strongly desired to engage in further dialogue and obtain feedback on specific areas of reform to help refine our thinking. This paper provides those opportunities, rather than a comprehensive discussion of options for reform or an interim report on the review.

Some sections of this paper, particularly those addressing the benefit structure, deal with technical issues. Nevertheless, we hope that all readers will feel comfortable responding to the ideas outlined here, based on their own experience and understanding of the issues.

The paper is organized by the five outcomes for the review (see Chapters 1 through 5). Issues respecting First Nations are addressed throughout the paper, and Chapter 6 discusses issues that are specific to First Nations. For each outcome, we ask questions on the approaches described. Chapter 7 repeats the questions from the paper and provides information on how to provide input to the Commission.

We would like to receive your input by **Friday, March 16, 2012**. We will consider your input and our research in developing our final report to government in June 2012. We look forward to hearing your thoughts on the various approaches described in this paper, or on other approaches that you believe should be considered to help achieve fundamental change.



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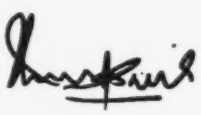

Munir Sheikh

Chapter 1:
Reasonable Expectations and Necessary Supports to Employment

The review will make recommendations that will enable the government to place reasonable expectations on, and provide supports for, people who rely on social assistance with respect to active engagement in the labour market and participation in treatment and rehabilitation.

–TERMS OF REFERENCE FOR THE REVIEW

The government has identified employment as a key route for individuals and families to escape poverty. We agree that one of the best ways to help people to move out of poverty is to help them find work.

Some people receive social assistance for a short time and are able to enter or re-enter the workforce with the level of support currently available or with their own sources of support. Others experience a repetitive cycle of employment and receiving social assistance. Still others require long-term assistance.[1] Employment services and supports must therefore meet a wide variety of needs, but what is currently available is failing to identify and meet the range of needs of people who are not able to enter the workforce easily. For people receiving ODSP, for example, there is little focus on helping them prepare for and find employment.

This chapter first looks at effective employment services and supports to meet a wide variety of needs, including recognition of the barriers to employment facing people with disabilities. It then discusses access to those services and supports. Both elements are critical to achieving the goal of

[1] Based on a study of clients followed from 2003 to 2009, about 75 per cent of clients who received Ontario Works received it for 12 months or less and then exited the program. However, about half of those who exited returned to Ontario Works within two years. About 25 per cent of study clients who received Ontario Works experienced a continuous period of two or more years of receiving Ontario Works.

assisting people toward active engagement in the labour force to the maximum of their abilities.

Features of Effective Services and Supports

Four key features of effective employment services and supports were identified through our discussions, review of submissions, and research:[2]

- **Consistent assessment and case management:** Consistent assessment and case management to set realistic employment goals and manageable steps for people, and to provide people with multiple barriers with the supports they need
- **Integrated pre- and post-employment services and supports:** A range of integrated pre- and post-employment services and supports that are tailored to individual needs and effective in helping people find and maintain work
- **Access to the same level of services for people with disabilities:** Access for people with disabilities to the same level and range of employment services and supports as available to people without disabilities
- **Strong connections with employers:** Strong connections with employers to understand and meet their business needs as customers of employment services

We heard examples of these features in a number of communities, but we found that they are neither consistent across the province nor sufficiently accessible to people with disabilities. The Commission's challenge is to make recommendations to improve the consistency of these effective program features, while still allowing for local flexibility and innovation.

Consistent Assessment and Case Management

Some Ontario Works administrators are using assessment tools to identify where people are in the continuum of preparing for and finding employment. Using those tools, a client may be identified as, for example, job-ready, in

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[2]See, for example, Dean Herd (2006), *What next in welfare reform? A preliminary review of promising programs and practices.*

need of pre-employment training, skills development, or education upgrading, and so on. Other jurisdictions use assessment tools to measure jobseekers' level of "disadvantage" in the labour market and to refer people, including people with disabilities, to the most appropriate employment services.

Assessment tools can be particularly important in identifying people who may be facing multiple barriers to employment and requiring more intensive supports to stabilize their lives, or address mental health, addictions, or other issues before preparing for employment.

Some studies on providing comprehensive case management to social assistance recipients with multiple barriers have shown promising results.[3] We heard, in our community visits and through submissions, about the positive results of the Addiction Services Initiative and Hostels to Homes pilot programs of the Ministry of Community and Social Services, both of which involve intensive case management. We are also aware of the cost component of the different levels of case management, and of the challenges in determining how to allocate resources to meet the wide array of needs.

Integrated Pre- and Post-Employment Services and Supports

Many people emphasized the importance of pre-employment training and learning in preparing people receiving social assistance for employment. Alberta's social assistance program, for example, recognizes this through a distinct "Learner" category for people who need skills upgrading or training to get a job. Many municipal Ontario Works administrators suggested that the current employment services funding approach, which is based partly on outcomes related to employment earnings and exits from social assistance, should be broadened to include performance measures related to completing pre-employment activities and addressing barriers to employment.

A variety of pre-employment supports and training is currently available through Ontario Works, ODSP, and other programs in the province. In the

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[3] *When the bough breaks: Provider-initiated comprehensive care is more effective and less expensive for sole-support parents on social assistance* (Gina Browne, Carolyn Byrne, Jacqueline Roberts, Amiram Gafni and Susan Whittaker, 2001) studied a project that actively sought out sole parents on social assistance and offered these families a range of services and supports. The evaluation found that, among those participating in the enhanced services, 25 per cent of sole support parents left social assistance within one year, compared with 10 per cent who exited social assistance without any extra support from caseworkers.

engagement process, however, we heard that people have been referred to training courses that did not lead to jobs. Some women talked about being trained as personal support workers in locations where there was no demand. Highly skilled immigrants described being sent for résumé-writing courses, which they did not need. We often heard that training courses should be equipping people with skills for which there is a demand in the local labour market.

First Nations engaged in open and frank discussions with us. They told us about the healing journey their people and communities are undertaking in the wake of many historical challenges, such as residential schools. Many First Nations communities want flexibility to define their employment programs to better reflect this context. For example, the Ontario Native Welfare Administrator's Association (ONWAA) recommended that taking part in cultural or community development activities should be recognized as part of a range of participation requirements under Ontario Works. In their view, these activities contribute to improving job readiness and can help people who may be dealing with mental health issues, trauma, or addictions that need to be addressed before employment. Such activities can also have a significant impact on improving the wellbeing of individuals and communities where there are few job opportunities available.

> **Note:**
> First Nations issues are discussed more fully in Chapter 6, beginning on page 50.

Our discussions and research suggest that post-employment supports can be effective in helping some clients retain employment, particularly people with disabilities or multiple barriers and newcomers who lack familiarity with the Canadian work environment. Post-employment supports could mean continued access to employment service providers for a period of time after starting a job. These supports could help clients adjust to and succeed in the workplace, and to access social supports, such as housing or childcare, which are critical to long-term employment retention. For employers, service providers could provide supports tailored to the needs of specific employers, such as assistance with accommodation or job coaching. Without such supports, some employers may be reluctant to hire people who have barriers to employment or may find it difficult to do so.

While post-employment services are available from some provincial funding programs, we heard that access to these services is inconsistent. To ensure that people with multiple barriers have access to these services, it is important that funding mechanisms for post-employment services reflect the cost of serving a range of clients.

Access to the Same Level of Services for People with Disabilities

Currently, ODSP does not focus primarily on helping people to prepare for and find employment. Through our engagement process, we heard from many people receiving ODSP who said that they wanted to work, and could work, if barriers were removed and appropriate supports were provided.

People with disabilities told us that they need the same range of services and supports as people without disabilities (skills upgrading, training, housing, childcare, etc.), as well as specific supports related to disability, such as accessible transportation and greater availability of attendant services.

Most people who commented on ODSP Employment Supports said the program was most successful for people with disabilities who are job ready and can benefit from some assistance to make the transition to the workplace and from post-employment supports to help them maintain employment. They recommended that the various programs intended to support employment for people with disabilities be better integrated. With better integration, agencies could provide the full spectrum of services that clients need, including assessments, pre-employment preparation and training, job placement, and post-employment supports.

Employment services and supports must recognize the range of barriers to employment facing people with disabilities. One study,[4] which included a survey of over 500 employers in Ontario, identified these key barriers:

- Negative attitudes and false assumptions about people with disabilities
- Lack of awareness about the employment potential of people with disabilities

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[4] See WCG International Consultants Ltd. (1996), *Employment of persons with disabilities in the Province of Ontario.*

- Lack of access to education and workplace training for people with disabilities
- Inadequate workplace accessibility, accommodation and employment supports
- Lack of widespread use of disability management and return-to-work programs

This study also identified specific barriers for Aboriginal people with disabilities, as well as women, immigrants, and youth with disabilities.

Many disability-related and other organizations are working to overcome these barriers. Employer initiatives, such as the Canadian Manufacturers and Exporters "Business Takes Action" and the Employers' Forum on Disability in the United Kingdom, are also providing tools and supports to employers and making the business case for hiring people with disabilities.

We understand that it will take time, but there is progress in this area through the implementation of the Accessibility Standard for Employment under the *Accessibility for Ontarians with Disabilities Act* (AODA). The Standard is intended to help ensure accessibility throughout the employment lifecycle, from recruitment to termination. The government is phasing in these requirements over the next five years.

As we illustrated in our June discussion paper, the province-wide number of cases (individuals and families) receiving ODSP has been growing at about five per cent annually since 2005-06. The number of ODSP cases exceeds the number of Ontario Works cases. Some have suggested that this growth is due to the aging population, since the prevalence of many disabling medical conditions increases with age. However, through our research and analysis, we learned that mental health issues, primarily among people between the ages of 18 and 40, account for a significant portion of the growing caseload. Of the 27,600 ODSP applications granted in 2009-10, about 60 per cent involved a mental illness[5] as either a primary or secondary condition.

Disabilities related to mental illness have been poorly understood, but as a society, we are starting to develop a better understanding of mental health

[5] Based on the Diagnostic and Statistical Manual of Mental Disorders (DSM) definition that includes psychoses, neuroses, addictions, autism, and developmental delays.

and wellbeing. Among employers, there has been increasing interest in addressing workplace issues facing people with mental illness and improving employers' return-to-work programs. We have more work to do, however, to overcome the stigma of mental illness in recruitment and hiring and to learn how to accommodate people with mental health issues and episodic disabilities in the workplace.

Our research and discussions with health service providers highlighted for us the importance of providing early intervention and appropriate supports to people with mental illness and other disabilities. This is essential for participation in employment or return to work as soon as possible. Early supports can also improve wellbeing and prevent social exclusion and long absences from the labour force. To facilitate access and reduce stigma, it is important that these supports be well integrated with other employment services. We are aware that the first phase of Ontario's Comprehensive Mental Health and Addictions Strategy is focusing on children. For adults, we expect that the next phase will provide opportunities for earlier intervention and better access to integrated mental health treatment and employment services.

Even with appropriate supports, not all people with disabilities will be able to work full time or consistently. Our goal is to make recommendations that will respond to the work aspirations of people with disabilities and encourage and support their participation in employment to the maximum of their abilities. We also want to make recommendations to improve, substantially, the employment services and supports available to people with disabilities, including making the delivery of these services and supports more easily accessible. However, the reality is that people with disabilities continue to face a multitude of barriers, including discrimination and stigma. Some people with disabilities will not be able to find employment, despite high personal motivation.

In our research, we found that many countries are moving toward an approach that includes active engagement in the labour market for everyone receiving social assistance, including people with disabilities. For example, the United Kingdom and Australia, which have been involved in disability benefit reform for a number of years, have developed tools to assess work capacity. Australia's Job Capacity Assessment includes an assessment of impairment against "Impairment Tables," which are intended to measure the loss of functional capacity that affects a person's ability to work. In addition, an

assessment is made of whether a person is able to work at least part time. Those assessed as not able to work at least part time are eligible for a higher benefit rate and do not have to participate in work-related activities. People assessed as able to work at least part time are expected to participate according to their ability.

Note:
Benefits for people with disabilities are discussed in the next chapter, beginning on page 29.

Implementing job capacity assessments can be challenging, however. For example, in the UK, issues have arisen regarding the validity of the tool and the way in which it is implemented. The related reforms are struggling to gain public acceptance. Research by the Organisation for Economic Co-operation and Development (OECD) notes that the goal of determining reasonable expectations by assessing whether people are too disabled to work "is understandable, but it is not straightforward to set the level of capacity below which it is impractical to expect a person to participate in the labour market."[6] Disability and the experience of disability are changeable over time and individual motivation varies. Many environmental factors also have an impact on work capacity, including technology, job expectations, accommodation, and acceptance in the workplace.

Given this context, the Commission is seeking input on whether Ontario should adopt a means to better assess work capacity and set participation requirements for people with some capacity for employment, or whether the Province should wait to introduce such requirements until substantial progress has been made on removing barriers to employment for people with disabilities, including the full implementation of the AODA.

Strong Connections with Employers

We also looked at effective employment services and supports from the perspective of employers. Employers emphasized that it is critical for employment service providers to understand how specific businesses operate

[6] See OECD (2010), *Sickness, disability and work: Breaking the barriers – a synthesis of findings across OECD Countries*, p. 106.

and what they require when hiring. For example, some small and medium-sized employers said they need candidates who are pre-screened and already trained. Some larger employers said they prefer to do on-the-job training themselves.

It was clear from our discussions with employers that there is no single strategy for supporting them to hire people receiving social assistance. Rather, a toolkit or menu of approaches is needed. This may include information, technical advice, and financial incentives such as wage subsidies and tax credits. Some employers suggested that providing financial incentives to small and medium-sized businesses would assist them in covering recruitment and training costs when hiring people receiving social assistance. The creation of a fund to assist smaller employers with the costs of accommodating people with disabilities in the workplace was also suggested. Other employers did not favour wage subsidies or other financial incentives. In their view, employers hire people because there is a good business case for doing so.

We also heard from employers about the effectiveness of business-to-business approaches. For example, through the Ontario Chamber of Commerce Global Experience at Work program, local Chambers conduct outreach to employers in their communities to encourage them to hire internationally trained professionals. This program could be a useful model for improving employment opportunities for people receiving social assistance. Members of the Ontario Disability Employment Network Champion's League promote the benefits of hiring people with disabilities to other business-owners and operators. Other recommendations from employers included establishing a common portal where they could post job opportunities, segmenting employment service providers by industry sector, expanding funding models that reward employment services based on job retention rather than the number of placements, and developing standards of practice for employment service providers.

We heard from a number of municipalities and not-for-profit employment service providers who are working successfully with employers in their communities to match people receiving social assistance with jobs. Developing good working relationships with local employers and having a good understanding of the local labour market have been critical elements in their success.

DISCUSSION QUESTIONS

- How can employment services be made more effective?
- What should the Commission recommend to encourage greater consistency in effective employment services and supports for social assistance recipients, while still allowing for local flexibility and innovation?
- Should standard assessment tools be used to identify people's needs and match them to appropriate services and supports?
- What should be considered appropriate employment-related activity participation requirements for people with disabilities? Should participation requirements for people with disabilities be different from those for other people receiving social assistance?
- Should a tool be developed to assess the work capacity of people with disabilities? If so, how should the tool be developed and how should it be used?
- What kinds of engagement strategies and incentives would be most effective in encouraging and supporting employers to hire more social assistance recipients?

Access to Employment Services and Supports

Currently, employment services for people receiving social assistance are delivered in a number of different ways.

Consolidated Municipal Service Managers (CMSMs) and, in Northern Ontario, District Social Services Administration Boards (DSSABs) are responsible for providing Ontario Works employment services through 133 local sites, including main and satellite offices in the province. Some provide services directly and others contract them out to employment service providers, including Aboriginal service organizations. According to a submission from the Canadian Union of Public Employees (CUPE), the union representing many Ontario Works caseworkers, the majority of caseworkers have caseloads ranging from 150 to 200 clients. Ontario Works is delivered in 112 First Nations communities, 53 of which receive both income support and employment services.

The Ministry of Community and Social Services is responsible for providing ODSP services through 46 regional sites in the province. ODSP Employment Supports are contracted out and delivered by approximately 150 community service providers. According to a submission from the Ontario Public Service Employees Union (OPSEU), the union representing ODSP caseworkers, these caseworkers have caseloads ranging from 230 to 380 clients.

The Ministry of Training, Colleges and Universities funds Employment Ontario (EO). EO provides employment and training services to unemployed Ontarians through 51 regional EO offices and 400 service locations. The service locations include a mix of not-for-profit service providers and other third-party delivery agents. There are six communities where municipalities deliver both Ontario Works and EO services. We heard that EO services can be difficult to access in some First Nations communities and other areas of the province.

EO is not primarily designed to serve social assistance recipients. Currently, 17 per cent of people receiving services from EO are social assistance recipients. Almost half of the $1.2 billion in funding for EO comes from the federal government through the Canada-Ontario Labour Market Development Agreement. The funding can only be used to provide programs and services to EI-eligible clients.

People receiving social assistance told us they wanted access to the full range of employment and training programs available to other unemployed Ontarians, including those offered through EO. We heard many examples of social assistance recipients not being able to access the right services at the right time, or not being able to find the services and supports they need in their communities.

The current approach separates social assistance recipients from other jobseekers. This reinforces the stigma of receiving assistance and makes it more difficult for people, especially people with disabilities, to access a wider range of services. The separation also results in service duplication and gaps, confusion for jobseekers and employers, and administrative inefficiencies.

In addition to employment services, as discussed in the first section of this chapter, many people identified the need for better coordination or integration of social assistance with other services and supports, such as childcare and housing. Urban Aboriginal people also drew our attention to

this issue. In their experience, the lack of integration is compounded by the fact that services, such as housing and training, are provided and funded separately by federal, provincial, and municipal governments.

Social assistance recipients and administrators both expressed frustration about the fact that information cannot be shared across services because of the different regulatory and privacy frameworks for each program. The Ontario Municipal Social Services Association (OMSSA) identified improved information sharing as one of its priority issues in its work with the Province.

Various approaches to improving coordination or integration of employment services and related supports were recommended in community conversations and submissions. Three approaches are described below.

a) Improved Provincial-Municipal/First Nations collaboration

In order to improve employment outcomes for clients and to make better use of resources, one approach could be to continue the collaboration envisaged in the 2008 Provincial-Municipal Fiscal and Service Delivery Review. The Ministry of Community and Social Services (MCSS), the Ministry of Training, Colleges and Universities (MTCU), and Ontario Works delivery agents could work together to

- better integrate ODSP, EO, and Ontario Works employment services
- implement strategies to enhance access to EO services by social assistance recipients, including First Nations people
- establish consistent referral protocols between EO and Ontario Works delivery agents and provincial ODSP Employment Supports
- undertake more coordinated joint local services planning, including with First Nations.

This approach would strengthen collaboration, but there would be no change to the roles and responsibilities of municipalities, First Nations, or the Province in delivering employment services and supports.

b) Municipalities/First Nations deliver all employment services

A second approach could be to allow municipalities and First Nations to deliver all employment services for people receiving social assistance, whether Ontario Works or ODSP. This would help ensure that people with disabilities have access to the same level and range of employment services and supports as other people receiving social assistance. In addition to childcare and housing supports, which they access through municipalities and some First Nations, people with disabilities would also be able to access employment services. This approach would allow a one-door entry to services and improve ease of access for clients. Municipal/First Nation delivery would provide a common entry point for all people seeking employment and social services, which would reduce the stigma associated with social assistance. This approach would also build on municipalities' and First Nations' expertise in local economic development and workforce planning.

In addition to integration of social assistance employment services at the local level, linkages between municipalities/First Nations and EO could be strengthened in order to improve access to the full suite of EO services. Better linkages could be achieved through information-sharing and service agreements. These agreements could focus the roles and responsibilities involved. For example, municipalities and First Nations could provide intensive case management to people who have multiple barriers to employment and refer people who are job ready to EO or, for First Nations, to the supports available through the federal Aboriginal Skills and Employment Training Strategy (ASETS).

Where they have the interest and have developed the capacity, municipalities and First Nations could take on the role of designated EO service providers. This would require a change in the Province's current approach to selecting providers to form its EO network. Some municipalities have already structured their employment services and supports to serve a broader population as well as people receiving social assistance.

c) Employment Ontario delivers all employment services

A third approach could be to consolidate all employment services with EO providers. Social assistance administrators could retain responsibility for overall case management of people receiving social

assistance, including referrals to EO and other services, and for ensuring that people are participating in employment-related programs.

In this model, it would be important to ensure that the specialized or intensive services that some social assistance recipients need would be available. This approach would also require improved and integrated local labour market planning in order to take advantage of municipal and First Nations expertise in local economic development and their connections to employers in their communities.

We are aware that any structural change in the way services are delivered would likely involve changes in accountabilities and reporting relationships. New approaches to delivery may also have an impact on staff roles, which would require significant discussions with Ontario Works and ODSP caseworkers and their unions.

DISCUSSION QUESTION

- Which approach would be most effective in improving the delivery of employment services?

Chapter 2:
Appropriate Benefit Structure

The review will make recommendations that will enable the government to establish an appropriate benefit structure that reduces barriers and supports people's transition into, and attachment within, the labour market.

–TERMS OF REFERENCE FOR THE REVIEW

The Terms of Reference for the review ask us to make recommendations to improve employment outcomes for people who can work and to provide adequate income security for those who cannot. They also require us to advise on methodologies for determining the benefit structure and level of rates.

Within those requirements, we want to make recommendations that achieve three key objectives:

- Adequacy of benefits
- Fairness as between people who are receiving social assistance and low-income people who are working but not receiving social assistance
- Work incentives

To achieve these objectives efficiently, a new rate structure for both Ontario Works and ODSP must also be less complex and more transparent.

Balancing Adequacy, Fairness and Incentives to Work

The following section discusses the challenges of achieving the right balance among the three objectives by describing: a) how they interact with one another; b) the difficulties in establishing a rate methodology; and c) how the trade-offs between the three objectives could be addressed.

a) Interactions

Ottawa Public Health pointed out to us that in Ottawa, a family of four with children over the age of six can expect to pay $759 per month for nutritious food and an average rent of $1,227. If this family relies on Ontario Works, along with children's benefits and other tax credits, Ottawa Public Health estimates that they would be left with only $25 after rent and food costs. A single person in Ottawa can expect to pay $254 per month for nutritious food and an average rent of $715 for a bachelor apartment. If that person relies on Ontario Works and tax credits, Ottawa Public Health estimates that the individual would be short $334 each month. We heard from many people that the benefit structure should more closely reflect the cost of living, including the cost of nutritious food, secure housing and community participation.

The benefit structure must also take into account fairness as between low-income workers and people receiving social assistance. People receiving social assistance may have some employment earnings and remain eligible for some financial support and other benefits from social assistance. The rate structure should not lead to a situation where a person working at a low-wage job and not receiving social assistance is at a disadvantage compared with a person working at the same job and also receiving some support from social assistance.

The benefit structure should also ensure that work pays; in other words, that there is sufficient financial incentive for a person to take on employment. We also have to remember that there is considerable diversity in the population receiving social assistance, and many factors can affect a person's decision to move into employment or ability to do so. We have no way of knowing how much any particular individual would be affected by the extent to which work pays; for example, some people may attach considerable value to the non-financial benefits of working, such as inclusion or participation in the community. However, the literature suggests that more people are attracted to work as the financial rewards for working increase, so balancing the objectives of adequacy, fairness and incentives is important.

To arrive at a rate structure that balances these three objectives, we need to consider the following:

- An **adequacy measure**: What level of income is necessary to obtain the basics, such as safe, clean housing, a nutritious diet, clothing and transportation?
- A **reference wage**: How do social assistance rates and benefits compare with the wages and associated benefits that an individual might receive in the labour market if they were to exit social assistance for employment? We need to be able to compare social assistance incomes with this "reference wage."
- A **benefit withdrawal rate**: At what rate should benefits be reduced or withdrawn when people begin to earn employment income? The benefit withdrawal rate is an important part of the Marginal Effective Tax Rate (METR), as explained in the box below.

The **Marginal Effective Tax Rate (METR)** is the rate at which income-tested tax credits and benefits are withdrawn, combined with the impact of income taxes, as income rises through increased earnings. The level of the METR determines the extent of the financial incentive to work. If METRs are low, people lose their benefits more slowly as they begin to earn, increasing their incentive to work. If METRs are high, people lose their benefits more quickly, reducing the incentive to work.

Currently in both Ontario Works and ODSP, benefits are withdrawn at a rate of 50 cents for every dollar earned. This rate, combined with the loss of any other benefits, or increases in income taxes owed resulting from increased earnings, forms the overall METR.

The social assistance benefit withdrawal rate of 50 per cent is intended to provide an incentive for people to make the transition to employment. It was introduced in 2005, replacing a more complex approach, involving different rates of withdrawal at different earnings thresholds, which was confusing to clients. There is no consistent approach used among jurisdictions, and it is very difficult to determine the "right" level of incentive.

The relationship between adequacy, the reference wage and the benefit withdrawal rate is such that if steps are taken to address any two of them, the third cannot be controlled independently. This is illustrated in the following three examples:

Example 1:

Benefits are set at an adequate level and are phased out entirely at the point when earnings reach the reference wage. This automatically determines the rate at which benefits are withdrawn as income is earned.

Example 2:

Benefits are set at an adequate level and the rate at which benefits are withdrawn as income is earned is established. In this case, the income level at which benefits are fully withdrawn will be different from the reference wage.

Example 3:

A reference wage and the rate at which benefits are withdrawn are both set. In this case, the level of benefits will be determined automatically by this formula, and may or may not meet the level of adequacy.

As we try to balance the three objectives of adequacy, fairness and incentives, we do so in the context of the government's commitment to reducing poverty in our province. Some of the issues are technical and complex. We have to tackle them, but we are mindful that adequacy is really about whether people who have fallen on hard times can adequately feed, clothe and house themselves and their families.

In our discussions, we heard, from people with lived experience of social assistance, that the current benefit structure is not working. They told us that for many, the threshold of adequacy is not being met, and that people should be able to retain a greater portion of any earned income, at least up to a point of more closely reaching adequacy. We often heard the suggestion that the benefit withdrawal rate that applies when people begin to earn employment income should be lowered from the current 50 per cent.

Lowering the rate of withdrawal of benefits or METR would improve the financial incentive to work for social assistance recipients. However, it would also mean that social assistance recipients with employment earnings would continue to receive social assistance at higher incomes from earnings than they do now, and could be better off than people who are working at similar jobs but not receiving social assistance. For example, if the amount of earned income retained increased from 50 per cent to 75 per cent, the earned income level at which a person would exit social assistance would be four times the social assistance rate. A person in this situation would have a much higher income at that point than a low-wage worker would earn from

employment only. On the other hand, we were also told that people were open to the idea of retaining less of their earnings if rates were more adequate to begin with.

It must be emphasized that the dilemma presented by the trade-offs between adequacy, fairness, and incentives is rooted in the labour market, where wages can be low, and there is growing income disparity. The way forward to manage these trade-offs and achieve an appropriate benefit structure would be far less difficult if the labour market provided better and more equitable incomes and benefits. With the prevalence of low-wage, non-standard work, moving into employment often means an insecure future, relatively low earnings, and a loss of valuable extended health benefits such as prescription drug, dental, and vision care.

Individuals who exit Ontario Works for employment may continue to receive health benefits for six to 12 months. People with disabilities receiving ODSP have access to these benefits indefinitely after they exit social assistance for employment, although many ODSP recipients we heard from are under the mistaken impression that they will lose their health benefits if they return to work.

In today's job market, the vast majority of people working in temporary, part-time, or low-wage jobs do not have employer-sponsored dental, medical, or drug insurance. Of two people working side by side at the same job, the one who is in the process of exiting social assistance continues to have health benefits for a period of time while the other, who did not receive social assistance, has no health coverage in this workplace. The lack of fairness in this situation is apparent. We heard in our discussions that losing health benefits upon moving into employment could be a powerful disincentive to exiting the program. Many people, especially parents with children who have medical conditions such as asthma, told us that they found it very difficult to leave social assistance given the risk of not having health benefits. The converse may also be true: the availability of health benefits may be a factor in seeking social assistance for people who need these benefits but cannot otherwise afford them.

b) Establishing a Rate Methodology

The task of addressing the fundamental trade-offs is made tougher by the absence of agreed-upon benchmarks for adequacy and incentives that would guide a sound methodology.

In Canada, although there is no generally accepted definition of poverty to help determine the adequacy of rates, the following three measures of low income are often used:

- **Low Income Cut-Offs (LICO)**: This was based on the income level at which a family in the base year 1992 was likely to spend more than 63 per cent of household income on food, shelter and clothing.
- **Low Income Measure (LIM)**: Usually, LIM is defined as 50 per cent of median income (median income is the middle point if you line up all incomes from lowest to highest).
- **Market Basket Measure (MBM)**: This measure of low income is based on the cost of a modest basket of goods and services, including a nutritious diet, clothing and footwear, shelter, transportation, personal care items and household supplies. Individuals or families are considered to be "low-income" if their disposable incomes fall below the total cost of the goods and services in the MBM in their communities.

A more detailed description is set out in Appendix A: Measures of Low Income.

None of these is widely accepted as a poverty measure, and each has limitations when used as a benchmark for determining whether social assistance rates are adequate.[7] A major drawback of all three measures is that they do not consider the range of possible additional costs related to living with a disability.

Bearing in mind the drawbacks, we looked at how total social assistance incomes, including tax credits, compare with each of the measures (LICO, LIM and MBM). Our comparison shows that the current social assistance rates, in combination with benefits outside social assistance, seem arbitrary when

[7] We note that for the purposes of the Ontario Poverty Reduction Strategy, the province adopted the use of LIM.

compared with any of the low income measures (see Appendix B: Social Assistance Incomes Compared with Low Income Measures). There are wide variations in how incomes compare with each measure, in percentage terms, across different types of recipients and across Ontario Works and ODSP. For example, a sole parent with one child receiving ODSP receives $24,882 (including children's benefits) a year, or 106 per cent of the MBM threshold for a single parent with one child (but as noted above, the MBM does not consider additional costs of living with a disability). A single person receiving Ontario Works receives $7,952 a year, or 48 per cent of the MBM threshold for a single person.

It is also difficult to find a benchmark for determining the rate levels that would result in financial incentives to work. There is no obvious labour market income benchmark or reference wage to use for comparison with social assistance incomes to determine whether an individual would be better off working. It could be based on any of the following:

- Full-time hours at general minimum wage, which is set by provincial policy
- The average actual earnings of people who have fully exited the social assistance system, based on the first year following their exit
- A proportion of the average actual employment earnings of working-age adults

A reference wage is intended to capture what people might expect to earn through employment. In practice, however, people may earn more or (more often) less than their expectations. Actual earnings for people transitioning from receiving social assistance will vary, depending on local labour market conditions and an individual's capabilities and skills. This means that any benchmark for a reference wage will have limitations.

Setting the reference wage at the full-time minimum wage would reflect the lowest amount that people might earn if working full time; however, minimum wage is a political construct without a clear methodology for arriving at the figure. Average actual earnings after exit from social assistance would not reflect the range of capabilities and earning potential of people receiving social assistance. There is a similar problem with using a proportion

of average actual employment earnings, and finding a rationale for determining what proportion should be used is a further difficulty.

Combining these two less-than-perfect measures of adequacy and incentives to arrive at a rate structure raises further questions. For example, rates could be based on a proportion of the MBM and a proportion of a reference wage. What are the appropriate proportions? What percentage of MBM is acceptable for improving the adequacy of social assistance? What percentage of a reference wage is enough to ensure a financial incentive to work? As noted above, there is great diversity among people receiving social assistance, and people will respond differently to various kinds of incentives to work.

c) Addressing the Trade-Offs

The trade-offs between the objectives of adequacy, fairness and incentives to work are complex. Even though the difficulties are firmly rooted in the structure of the labour market, we need to address them. The following are two approaches that could ease the dilemma.

i) Extended health benefits for all low-income Ontarians

This approach involves making work pay by providing extended health benefits, such as prescription drug, dental, and vision care, on a universal, income-tested basis to all low-income Ontarians, regardless of whether they are working or receiving social assistance. Several provinces have taken steps to provide extended health benefits to low-income earners who are not receiving social assistance. For example, Alberta provides low-income adults, who are not receiving social assistance, with prescription drug, dental, and vision care benefits if they do not receive these benefits through their employers.

It may be easy to make the case for this approach. Most Canadians believe, for many good reasons, that ideally health benefits should be available to all. However, there is the practical question of how to pay for such an expansion of health benefits. Should government fund it directly, or should employers be required to offer these benefits to their low-income employees?

We know that it is an uneven playing field when it comes to employer-provided extended health benefits. Introducing government-

supported extended health benefits could lead employers to decrease the benefits they provide if they currently offer them. However, there may be strategies to help level the playing field, such as a pooled insurance program for employers not currently providing benefits.

ii) Vary the rate structure over time

In this approach, a rate structure could be established that changes over the period in which an individual receives social assistance. The rationale is that incentives to encourage transition to employment may be more important in the short term, but in the long term, the need for adequacy may increase.

A report for the Social Planning Council of Winnipeg[8] suggests that, for people who receive social assistance for a short time, it may be sufficient to support only basic needs, including some of the items covered by the MBM (such as food, clothing and footwear, shelter, personal needs, household supplies and transportation). Over the longer term, people need to be able to cover additional costs, such as recreation costs for children and replacement of furniture and appliances, to maintain a basic lifestyle and participate in the community.

Using this rationale, a short-term basic rate could apply during, for example, the first 18 to 24 months, with additional funds available only in emergency situations. This would ensure that a basic level of benefit is available for people in need of temporary assistance. Rates could be set at a level below the reference wage in order to maintain incentives for seeking employment.

People who are unsuccessful in securing employment will be in need of longer-term income support. Many different factors could lead to this situation, including lack of available jobs, lack of opportunity owing to discrimination or stigma attached to having a disability, lack of access to affordable childcare, being homeless, multiple health or social barriers, and many others. After the initial period described above, a higher rate could be available to reflect longer-term adequacy. The trade-off between adequacy and incentive to work is

[8] See Harvey Stevens (2011), *Improving the adequacy of social assistance budgets: A rationale for making current rates more adequate and a methodology for pricing budgets.*

more relevant to those who are capable of working than for those who cannot work.

One of the questions about this type of design is whether it would reduce the incentive for people to exit the program once they receive social assistance at the higher rate. Another question is whether some people (such as people caring for preschool children or suffering from a medical condition) should be eligible for the higher rate at the outset if it can be assumed that they will require assistance over the longer term.

d) Universal Income-Tested Benefits

At some income levels, there are measures that may also help ease the trade-offs by making work pay and improving fairness.

i) Earned income supplement

An earned income supplement can be a valuable mechanism to support low-income workers. Many jurisdictions have introduced such supplements, including many U.S. states. In 2007, Canada introduced the Working Income Tax Benefit (WITB) to enhance the incomes of low-income workers and provide an incentive for those not working to enter the workforce.

As currently designed, WITB is not working as well as it could to meet that objective.[9] The value of the benefit itself is low, and it begins to phase out at an income level well below full-time minimum wage. For people receiving social assistance while moving into employment, withdrawal of WITB at such low earnings levels and withdrawal of social assistance at the same time may mean that they would be worse off by exiting social assistance. A better-designed earned income supplement, with a higher actual value and later withdrawal as income rises beyond a reference wage, would be more likely to provide incentive to exit.

[9] It should be noted that Ontario's Poverty Reduction Strategy recommended changes to the federal WITB.

ii) Housing benefit

A housing benefit for all low-income Ontarians could also assist in improving incomes and ease the challenge of ensuring fairness as between people on social assistance and low-income earners. Since it would also help people who are struggling with housing costs but not receiving social assistance, it could help reduce the number of people who need to seek social assistance. The housing benefit could be similar to the Ontario Child Benefit, in that it could be applied broadly to all low-income people. As housing costs vary quite widely in Ontario, the benefit could be structured to accommodate regional differences.

The recently released Long-Term Affordable Housing Strategy made reference to a housing benefit, but there has not yet been much public discussion about how to design it. The Ontario Energy and Property Tax Credit, an existing refundable tax credit, should be examined as a possible mechanism for designing a housing benefit. The experience from existing housing supplement programs in Ontario (such as the Rental Opportunity for Ontario Families, scheduled to end in December 2012) and other jurisdictions (such as the Saskatchewan Rental Housing Supplement) should also be examined. In addition, any housing benefit for Ontario would have to be aligned with social assistance rates and the existing Rent Geared to Income (RGI) program.

These strategies could enhance incentives to work. We are aware, however, that high METRs are inevitably created as these types of benefits are withdrawn. By extending such benefits to a broader low-income population, we may be simply pushing the challenge farther up the income scale. It is sometimes argued that higher-income workers are more resilient and likely have higher long-term earning potential. However, this is an issue that would benefit from further analysis as part of the consideration of additional universal income-tested benefits.

DISCUSSION QUESTIONS

- Which adequacy and wage benchmarks should be used to set rates? Are there other measures that should be considered?

- In a methodology for setting rates, what proportions would balance adequacy, fairness and incentives?
- Should health benefits be provided to all eligible low-income Ontarians? If so, how should the cost be covered?
- Should Ontario use a two-rate approach, based on how long someone requires social assistance? If so, should there be exemptions from starting at the lower short-term rate?
- Would an earned income supplement be a good mechanism to increase the incentive to work? If so, how should it be designed?
- Would a housing benefit improve fairness and the incentive to work? If so, how should it be designed?

Designing Benefits for People with Disabilities

The dilemma of trade-offs between adequacy, fairness and incentives is even more pronounced in designing a benefit structure for people with disabilities.

Historically, people with disabilities received social assistance under the *Family Benefits Act* (FBA). Under the FBA, rates were somewhat higher than the rates for people who were expected to seek employment and who received social assistance under the *General Welfare Act* (GWA). In 1995, GWA rates were reduced by 21.6 per cent, while rates for people with disabilities under the FBA were maintained. In 1997, when ODSP replaced the FBA, rates continued at a higher level than the Ontario Works rates that replaced the GWA. We could not find a stated reason for the rate differential, but it is likely in recognition of the higher living costs of some people with disabilities, as well as expectations that they may have lower earning potential.

With the higher rates, ODSP benefits are more adequate than Ontario Works benefits. The ODSP benefit structure puts a priority on adequacy over fairness (by comparison with low-income workers) or incentives. This makes sense in a system that assumes that most people with disabilities are unlikely to work. However, we need to shift away from that assumption. We need to recognize the work aspirations of people with disabilities, provide critical employment

supports and services, and actively support a successful transition into the labour market for those who can work.

We were told that ODSP requires a culture shift, away from a focus on disability and toward a focus on ability. At the same time, the benefit structure needs to better address incentives to work and fairness for low-income people with disabilities who are currently working and not receiving ODSP. This will not be an easy task, but it is critical that we find ways to improve the current situation.

In thinking about solutions, it is important to consider the two dimensions of income support for people with disabilities, as mentioned above: additional living costs and lower earning potential of some people with disabilities resulting from barriers to educational opportunities and employment.

With respect to living costs, there has never been a clear methodology within social assistance for determining how much higher rates should be in order to reflect costs. At a system level, quantifying the extra costs related to disability is difficult because people have such varying needs. It would inevitably involve averaging the costs, which would not reflect the actual costs for individuals. Still, through the engagement process, disability and other organizations recommended that the government work in partnership with people with disabilities to assess the direct costs (e.g., medical supplies) and indirect costs (e.g., needing more time to complete tasks).

Despite the difficulty of quantifying costs, programs or supplements that cover the higher costs of living with a disability have an important role to play. A number of such programs do exist. For example, for low-income people with disabilities, the cost of purchasing certain assistive devices is covered through the Ministry of Health and Long-Term Care's cost-based Assistive Devices Program. Some medical costs are defrayed through the Medical Expense Tax Credit. It is important to remember, however, that the costs of some disabilities are far less tangible, and very difficult to assess.

There is also an important role for some form of income supplement that recognizes the lower earning potential of some people with disabilities. Chapter 1 describes some of the many barriers to employment that people with disabilities can experience, including not having the right skills and training, facing workplace discrimination, and the absence of workplace accommodation. These barriers limit the employment opportunities available

to people with disabilities. As long as the barriers continue to exist, and reduce the earning potential of some people with disabilities, we must find effective ways of providing them with additional income support. We must also bear in mind that some people with severe disabilities are unlikely to generate significant earnings over their lifetimes, and we need to ensure that they have income security.

Since rates in ODSP are currently higher than in Ontario Works, an income supplement is already built into the current rate structure. For people with disabilities who are working, the disability top-up in the WITB also acts as a type of income supplement. Ideally, however, low-income people with disabilities should have access to an income supplement related to their disability instead of related to whether they receive social assistance. This is a matter of fairness, and it would help address the trade-off dilemma. There are various approaches to designing and delivering such a supplement.

The rate differential with Ontario Works could be removed from the current ODSP rate and a new supplementary disability benefit, outside the social assistance system, could be provided to all low-income people with disabilities. As a person's employment earnings increased, this benefit could be phased out. In effect, this model would mirror the government's approach in the Ontario Child Benefit. It provides support to children in all low-income families, regardless of whether they are receiving social assistance. Determining the value of this additional financial support would require some analysis and design work.

A new program could also be developed to provide a secure and adequate basic income for people with severe disabilities who are unlikely to generate significant earnings over their lifetimes. The program could be similar to the support low-income seniors receive through the Old Age Security/Guaranteed Income Supplement/Ontario Guaranteed Annual Income System, or similar to Alberta's Assured Income for the Severely Handicapped (AISH) program. Another model to consider could be the basic income plan for people with severe disabilities that has been proposed by the Caledon Institute.[10]

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[10] See Michael Mendelson, Ken Battle, Sherri Torjman and Ernie Lightman (2010), *A basic income plan for Canadians with severe disabilities*.

In the engagement process, some people said that this type of benefit model makes sense for people who have little prospect of working. Others argued against an approach that divides people according to severity of disability because it does not account for the changeability of disability, particularly episodic disabilities. A challenge in this model is that, as discussed in Chapter 1, attempting to assess work capacity can be very difficult.

DISCUSSION QUESTIONS

- How should income supplements for low-income people with disabilities be designed and delivered? Should such supplements be provided outside the social assistance system?
- Should there be a separate basic income program for people with severe disabilities who are unlikely to generate significant earnings?

Dealing with the Complexity of Benefits

The current array of benefits and rates attempts to reflect the range of individual circumstances. Social assistance now pays a basic needs amount and a shelter allowance, based on a number of factors. Factors include family type (single individual, sole parent, couple), the number and (for ODSP) age of any children, and living arrangements.

Added to this structure is a range of special benefits to address specific client needs. These include benefits to assist with added costs, for example when starting full-time employment or for people who require special diets to help manage medical conditions. Some special benefits, such as assistance with the cost of moving, repairing household furniture, or additional work-related expenses, are considered discretionary and may be available in some municipalities and not others.

As this structure aims to address a wide range of individual circumstances and needs, it has become very complicated and difficult to administer. We also heard that the current structure is inconsistently applied, at the administrators' discretion, and is not always transparent to clients.

One approach to dealing with these issues is to simplify the structure by merging some or all of its elements:

- The current basic needs component and shelter allowance, or board and lodging categories, could be combined into a standard rate for all adults. With this standard rate, it would not matter whether someone is a boarder or a renter, or paying less than the maximum rental amount currently recognized in the shelter component. People would not need to provide rent receipts to calculate and justify the shelter amount. They would have more flexibility to make their own decisions. There would also be less intrusion into their lives, as caseworkers would not need to inquire into and verify the details of a person's living arrangements. We also need to consider, however, how to address the concerns we heard about the regional variations in shelter costs, particularly the high cost of housing in the North and in some urban centres. (We note that the design of a single benefit would have to take into account whether a housing benefit is provided outside social assistance.)

- The category of "dependent adult" could be eliminated for adults not enrolled in post-secondary education. Unlike the current situation, there would no longer be a difference in rate based on whether the parents are receiving Ontario Works or ODSP. Individuals would be treated as separate applicants and receive individual payments if they qualify for social assistance.

- Some special benefits could be merged into the standard rate.

  The Special Diet Allowance (SDA) is somewhat different from other special benefits. For some people, the SDA is linked to adequacy and fairness. Some have suggested that the dietary needs of people with certain medical conditions could be managed more easily without a special benefit if a more adequate social assistance rate were provided. Others have asked whether it is fair to provide a supplement to support dietary needs related to medical conditions only for people receiving social assistance and not for all low-income Ontarians. We are also aware that, as a separate social assistance benefit, the SDA is not necessarily aligned with the broader provincial health policy frameworks that address the medical needs of all low-income Ontarians. This raises the question of whether it may be appropriate to eliminate the SDA as a special benefit in social assistance and address the dietary needs of all low-income people, including those

receiving social assistance, through the programs and policies delivered through the Ministry of Health and Long-term Care.

The current method of calculating rates is complex, and the resulting rates do not reflect actual costs, such as the expenses of a single person versus a couple. The MBM uses a scale derived from the costs for a family of four to calculate relative costs; there may be other approaches. Further, there is no rationale for the higher basic needs amount provided to a non-disabled spouse of an ODSP recipient compared with a spouse of an individual receiving Ontario Works. We need a better rationale for the different rates that apply to different types of households or families and a better way of calculating those rates.

Clearly, there are many ways to approach the task of simplifying and improving the benefit structure. It will be important to look at each of the elements of the current structure to determine where changes are needed and which ones make the most sense.

DISCUSSION QUESTIONS

- How should the current rate structure be changed to reduce complexity?
- Should some special benefits be rolled into a standard rate? If so, which ones?
- Should the special dietary needs for all low-income people, including those receiving social assistance, be addressed through the Ministry of Health and Long-Term Care?
- How should the different rates for different family types be established?

Chapter 3:
Easier to Understand

The review will make recommendations that will enable government to simplify income and asset rules to improve equity and make it easier to understand and administer social assistance.

–TERMS OF REFERENCE FOR THE REVIEW

A major theme in the engagement process was the complexity of the social assistance system. Both caseworkers and people receiving social assistance commented on the difficulty of navigating the maze of benefits, eligibility criteria, rules, and exceptions. We heard from some caseworkers that they can spend 70 per cent of their time administering the rules. Many people recommended changes to specific rules, such as those related to earnings exemptions, treatment of other income (including child support), the benefit unit, and assets. More detail on rules is provided in the Commission's report on the engagement process and will be included in our final report.

In this chapter, we look at the main systemic reasons for complexity, explore approaches to ensure compliance, and questions about risk tolerance. We also look at the rules associated with the treatment of assets, as a good example of complexity in the system, and discuss possible approaches to change.

Complexity, Compliance and Risk Management

The complexity of the current system arises from three main sources: the complexity of the policy objectives that underlie the design of the programs, a "surveillance approach" to monitoring compliance, and the administration of risk that takes place within a public and political environment.

Complexity

Chapter 2 notes the complexity of the current benefit structure. There is tension between simplifying the structure on the one hand, and meeting people's different needs on the other. If the benefit structure were to be simplified as discussed in Chapter 2, the rules that stem from the current policy complexity would no longer be necessary.

In considering the complexity of rules, it is important to remember that, as in any public program, the social assistance system must be accountable to taxpayers. People receiving benefits must demonstrate that they are eligible for support, and caseworkers must demonstrate that they are taking the necessary steps to ensure compliance. The Auditor General of Ontario's reports on social assistance often concern the extent to which Ontario Works and ODSP staff can demonstrate that they have assessed and verified that clients are in compliance with the rules.

Compliance and Risk Management

Currently, the measures in place to ensure compliance and reduce misuse involve intensive, time-consuming verification processes, applied to all clients and at all steps of the eligibility process. These measures have been built up over time in an attempt to maintain the integrity of the system and prevent misuse. This "surveillance approach" has led many people we heard from to comment that the culture of social assistance seems to mistrust clients. This may be explained, in part, by the stigma associated with social assistance. Another factor, however, relates to the structure of penalties for misuse and how effective they are as a disincentive.

Currently, social assistance recipients who do not report income or material changes of circumstances that would make them ineligible for social assistance are terminated from the program or suspended until they are once again deemed eligible. For those who are terminated, various means are pursued to recover overpayments. In rare circumstances, where significant abuse of the system has been identified, criminal charges may be pursued. For recipients who do not report income or material changes in circumstances but remain eligible for social assistance, future payments are reduced by up to five per cent as a means of recovering the overpayment.

We do not have a great deal of information about the effectiveness of the current penalty structure. We do know that it is difficult to impose stiff financial penalties on people who have no financial means to pay them. This challenge, seeking to establish penalties that have enough of a deterrence factor, may also have contributed to the emphasis on a comprehensive compliance regime.

Many people we heard from called for a complete culture change in how both Ontario Works and ODSP approach risk management.

An alternative approach could be to replace the current comprehensive verification requirements, applied to all recipients, with a more targeted, audit-based process. For example, changes could be made to the existing method of verifying whether two individuals applying for social assistance should be treated as a couple or two separate adults. Currently, there is a lengthy form that applicants who co-reside are required to complete and caseworkers use the form in assessment and verification. Instead, applicants could simply declare their status in accordance with the rules around co-residency, with the current verification process replaced by an audit of a segment of applicants. The Canada Revenue Agency (CRA) uses this approach when individuals claim dependent spouses or children when filing income tax returns.

Changes could also be made in the area of monthly reporting requirements. Today, people receiving social assistance are required to report monthly on whether their income, childcare, or housing costs have changed and provide documentation to verify these changes. Instead, they could continue to report monthly, but only be required to produce pay stubs or receipts if there is an audit. The CRA uses this approach for some aspects of filing income tax returns. Canadians are allowed to claim deductions for a range of expenses (childcare, tuition costs, medical expenses, etc.) through online tax returns, without providing receipts, but are expected to retain these receipts and other supporting documents in case they are asked for them. CRA has developed a risk-based process to identify tax filers who must later submit those receipts in order verify their original claim.

In order to be effective, an audit-based approach must be accompanied by effective risk identification tools, rigorously evaluated to ensure that they work. The Ministry of Community and Social Services has begun to move toward this approach. It recently worked with Equifax to develop a new risk

identification tool that will be used to better target people for eligibility reviews who may not be reporting income or changes in other financial arrangements.

An effective audit-based approach should produce the same level of compliance as the surveillance approach. The advantage of an audit-based system is that it can more efficiently focus administrative resources on high-risk situations, potentially freeing up resources to improve direct supports to people. The majority of social assistance recipients do not misuse the system, and this approach also has the advantage of treating them with a higher level of dignity and trust.

However, there is a major challenge in making the audit-based approach practical: selective auditing is effective only if those caught misusing the system face strong enough penalties to discourage others from misusing the system. Such penalties are not as difficult a challenge in the administration of tax collection. As discussed above, in a social assistance system that provides a low level of benefits to begin with, it is a substantial challenge to find enforceable penalties that are strong enough to discourage misuse.

We need to consider the acceptable level of risk tolerance to maintain the integrity of the system. There is a cost-benefit aspect to managing risk: the cost of increased enforcement set against the potential of further reducing misuse. It can be challenging to weigh the costs and benefits of a new approach against the level of political and public tolerance for not catching misuse. The question of an appropriate level of risk tolerance remains, in either the current system or the alternative audit-based system, assuming appropriate penalties can be found.

DISCUSSION QUESTIONS

- Should the social assistance system move from a surveillance approach toward an audit-based system of verification and monitoring?
- What penalties would be required and feasible in an audit-based system?
- What is the right level of risk tolerance, in either the current system or an audit-based system?

Treatment of Assets

In our discussions and through submissions, we heard that the current requirement that individuals deplete their assets before being eligible for social assistance creates challenges in terms of financial self-sufficiency. Asset rules were consistently identified as major obstacles for people trying to make the transition to work and become more financially resilient. Many people felt that the asset rules are too stringent and that they contribute to a cycle of poverty. We also heard that the current rules associated with assets are complex and difficult to understand.

There are a number of challenges with respect to the treatment of assets, primarily stemming from fundamental policy conflicts within the current approach. To some extent, these conflicts also drive the complexity of the rules. The following discussion looks at the policy issues and suggests possible approaches to resolving them and simplifying the rules.

Currently, individuals are expected to use all financial resources available to them before turning to social assistance. The rationale is that it would not be appropriate for people to receive income support when they have assets they could use to support themselves. Consistent with this view, asset limits for Ontario Works are set at a low level, generally equivalent to about one month of social assistance and children's benefit payments. On the other hand, one of the key objectives of Ontario Works is to assist people in a successful transition to employment and achieve independence from social assistance. In this context, the requirement to deplete assets at the outset reduces an individual's financial resilience and ability to break out of the cycle of dependence. With assets depleted, it is more likely that people will need to fall back on social assistance when faced with even temporary setbacks.

More broadly, the current treatment of assets undermines another policy objective: encouraging people to save for the future. Depletion of RRSPs or other retirement savings assets, for example, could undermine long-term financial security in later years and cause people to access other social programs once they reach the age of 65. Very low asset limits do not allow for savings or the creation of assets that may assist people in the longer term.

In addition, there is no policy basis to explain why asset limits should be higher for ODSP than for Ontario Works. As with the rate difference between the two programs (discussed in Chapter 2), there is no apparent rationale for

the different treatment of assets. The difference may reflect the assumption that individuals generally receive ODSP for longer periods of time. It may also reflect the fact that ODSP recipients are permitted to receive gifts of up to $6,000 annually (which are then considered assets), another inequity between the two programs. Similarly, there is no clear rationale to explain why a spouse or dependent adult child of an ODSP recipient has higher asset limits than the spouse or dependent adult child of a person receiving Ontario Works. For more details, see Appendix C: Ontario Works and ODSP Asset Limits and Exemptions.

There are a number of approaches to revising asset rules to help strengthen the policy basis while simplifying program rules.

One approach could be to increase Ontario Works asset limits to equal those of ODSP. This could help facilitate a successful exit from social assistance and result in more simplified and streamlined administration. However, raising asset limits may also make more people eligible for social assistance, increasing overall program costs.

A second approach could be to increase asset limits for an initial period of time when an individual first enters the program. This would allow those who are in need of short-term assistance, perhaps while awaiting Employment Insurance payments or the start date of a new job, to access social assistance without having to "spend down" their assets.

Another approach could be to make changes to the rules that will help improve an individual's longer-term financial security. For example, the limits on specific assets such as RRSPs could be increased, or other asset-building strategies could be introduced such as Individual Development Accounts (IDAs). A study by Social and Enterprise Development Innovations (SEDI) showed that IDAs improved savings for low-income earners including social assistance recipients, in seven provinces across Canada.[11]

Regardless of whether any of these approaches are adopted, the rules on assets could be simplified by reducing the number of specific exemptions and introducing a combined blanket total asset limit. In this scenario, there would be one total asset limit for all combined assets, with the exception of large items, such as a principal residence, which would remain specifically exempt.

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[11] See Social Research and Demonstration Corporation (SRDC) (2010), *Learning to save, saving to learn: Learn$ave final report*.

Quebec, for example, sets a total $60,000 limit for "liquefiable" assets, which includes RRSPs, RESPs and trusts. (Quebec's cash limit is similar to Ontario's, and other assets such as primary residences and vehicles are each subject to separate maximums.)

This type of approach would reduce the time and resources spent in trying to determine the nature of specific assets and appropriate treatment, and it would make the rules simpler to understand for both individuals and caseworkers. It may also meet the needs of First Nations who expressed concern that the current rules do not reflect the realities of Northern life or make exceptions for items (e.g., snowmobiles, fishing and hunting equipment) that are used for traditional First Nations cultural purposes or that may promote self-sufficiency.

DISCUSSION QUESTION:

- Should asset limits be changed? If so, how?

Chapter 4:
Viable over the Long Term

> *The review will make recommendations that will enable government to ensure the long-term viability of the social assistance program.*
>
> –TERMS OF REFERENCE FOR THE REVIEW

Achieving substantial improvements in key areas of the social assistance system will go a long way toward making the system sustainable for the future. Making changes to employment services and supports and to the benefit structure, and reducing the complexity of the system overall, are discussed in the previous chapters. It is also important that we design a system that is viable for First Nations, and this is discussed in Chapter 6.

This chapter looks at additional approaches to coordinating or integrating social assistance on a system-wide basis. These approaches are intended to make the administration of the social assistance system and the delivery of services to people receiving social assistance more effective and efficient. We are aware of efforts taking place within the provincial government to improve services to Ontarians. These include the work being done by ServiceOntario to examine opportunities to expand its network to potentially deliver services on behalf of other governments, as well as the efforts to transform Ontario's system of benefit administration.

In Chapter 1, we looked at the potential of integrating employment services. Chapter 2 set out approaches for a revised benefit structure, including providing a disability supplement outside social assistance. There may also be approaches to delivering Ontario Works and ODSP income support that could result in improved coordination and administrative efficiency. As these various approaches to reform are considered, the question arises as to whether two separate programs in social assistance are in fact necessary.

The following discussion sets out three approaches to improving integration and delivery to help achieve long-term viability. There may be others.

One approach could be to continue with the current model of separate delivery of Ontario Works and ODSP income support, while integrating employment services and supports for everyone receiving social assistance. Coordination between Ontario Works and ODSP could still be improved in this model, for example through further efforts at joint planning and co-location of delivery sites.

A second approach could be to provide employment services and income support through a one-stop delivery model that would integrate Ontario Works and ODSP at the local level. Where they have the interest and have developed the capacity, municipalities and First Nations could deliver an integrated social assistance program tailored to the needs of their communities.

A third approach could be for municipalities to deliver human services components of social assistance, including case management and employment services, while the Province delivers administrative services related to social assistance, such as issuing social assistance cheques.

Any new approach must be consistent with other areas of social assistance reform and must ensure equitable access to services and supports for all individuals, including people with disabilities.

Potential changes to the role of municipalities and First Nations in the delivery of social assistance would need to be accompanied by new accountability arrangements. For First Nations, this is further discussed in Chapter 6. For municipalities, these could be built on existing accountability provisions in the *Municipal Act* and provided through the integrated service plans that the Ministry of Community and Social Services develops with each service delivery agent. The Ministry could identify and negotiate a set of overall outcomes, which could be translated into deliverables by municipalities through a local planning process. To ensure quality and consistency of local services, service plans could include requirements for municipalities to adopt best practices, survey social assistance recipients and local employers to assess the effectiveness of services, and report publicly on progress toward specific outcomes.

Other Programs

Two other programs that are part of the social assistance review are discussed here: Temporary Care Assistance (TCA) and Assistance for Children with Severe Disabilities (ACSD). It has been suggested that for the long term, both programs may be better aligned with the Ministry of Children and Youth Services (MCYS) in light of its areas of responsibility and expertise.

TCA is intended to provide support for children in financial need while in the temporary care of an adult, such as a grandparent, who does not have a legal obligation to support the child. In the engagement process, some stakeholders raised concerns that TCA rates are less than the amounts available to foster parents, and that TCA is available only when care arrangements are deemed temporary at the discretion of the caseworker.

Currently, TCA is not included in the mandate for child protection services as defined under the *Child and Family Services Act*. However, it is important that children living temporarily outside of the parental home and receiving financial support from the government be assured a safe environment and access to services, including permanency planning. We learned that in British Columbia, responsibility for temporary care assistance (which was similar to Ontario's program) was removed from its social assistance system. As a result of a review by the B.C. Representative for Children and Youth in 2010, the program was incorporated into the child welfare system to ensure more consistent oversight of child safety in temporary care situations. A similar approach could be considered for Ontario.

ACSD helps low and moderate-income parents with some of the extra costs of caring for a child who has a severe disability. Parents can receive up to $450 a month to help with a range of disability-related costs, such as travel to medical appointments, special equipment or parental relief. The amount depends on actual costs and family income. Although MCYS has the lead for the program, it is established by the *Ontario Disability Support Program Act, 1997* and delivered in conjunction with social assistance. ACSD could be fully transferred to MCYS in order to clarify accountability for the program and allow MCYS to integrate ACSD with its other services for children with disabilities.

DISCUSSION QUESTIONS

- What are the strengths and weaknesses of these three approaches to the delivery of Ontario Works and ODSP? Are there other approaches that should be considered?
- Should full responsibility for Temporary Care Allowance or Assistance for Children with Severe Disabilities be transferred to the Ministry of Children and Youth Services?

Chapter 5:
An Integrated Ontario Position on Income Security

The review will make recommendations that will enable government to define Ontario's position vis-à-vis the federal and municipal governments as it relates to income security for Ontarians.

–TERMS OF REFERENCE FOR THE REVIEW

Social assistance is part of a broader social safety net, which is intended to support Ontarians and Canadians who, for many different reasons, may need financial assistance for short or extended periods of time. Although our mandate focuses on making recommendations to improve social assistance, this fifth outcome area recognizes that our task necessarily entails thinking about and commenting on income security issues beyond the social assistance system.

There are a number of policies and program designs in other areas that create particular challenges for social assistance. This section discusses areas where inadequacies create pressure on the social assistance caseload, areas that affect how well the social assistance system works in achieving its intended outcomes, and some specific interactions, between social assistance and other programs, that create problems.

As the following examples show, policies and programs in many other areas impact the social assistance caseload:

- Many immigrants face challenges such as language barriers, lack of Canadian experience, and not having their credentials recognized. As a result, they may find themselves turning to social assistance for support.[12]

[12] Fourteen per cent of primary Ontario Works applicants are newcomers who have been in Canada for five years or less. Newcomers include refugee claimants, who make up about seven

- As has been documented and studied by the Mowat Centre Task Force on Employment Insurance (EI), many Ontarians have limited access to EI. A number of the Task Force recommendations could be considered to improve access to EI and prevent unemployed Ontarians from turning to social assistance.
- First Nations' dependency on social assistance is in part the result of failures in the many policy frameworks affecting their people and communities. This is discussed more fully in the next chapter.

Other policies and program designs that directly hinder our ability to develop solutions to improve social assistance outcomes include the following:

- The availability of prescription drug, dental and vision care benefits to low-income earners is limited, as is discussed in Chapter 2.
- There is growing awareness, in Canada and around the world, of rising inequality in income. Recent reports, including those by the Conference Board of Canada and the Organisation for Economic Co-operation and Development (OECD), have highlighted the challenge of rising income inequality. The OECD points to the reduced impact of means-tested transfers and changes in income tax rates since the mid-1990s as one of the main factors contributing to income inequality. According to the OECD report, prior to the mid-1990s, the Canadian tax-benefit system offset more than 70 per cent of the rise in market income inequality; this has since declined to 40 per cent.[13]
- Wage policies, including the minimum wage, also contribute to the widening disparities between high and low income.
- There is no long-term federal direction regarding the WITB, including, for example, whether it may be enhanced or reviewed. As discussed in Chapter 2, a more robust earned income supplement (whether it builds on the federal WITB or is a made-in-Ontario benefit), which takes into account both Ontario's social assistance rates and the

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per cent of primary applicants and sponsored immigrants who represent less than one per cent of primary applicants. Two per cent of primary ODSP applicants are newcomers, including refugee claimants and sponsored immigrants who represent less than one per cent of primary ODSP applicants.

[13] See OECD (2011), *Divided we stand: Why inequality keeps rising. Country Note: Canada.*

structure of the wage market, could act as an incentive for people to exit social assistance or eliminate the need for them to apply for it.

- In the area of housing, the absence of a federal long-term funding commitment and a national housing plan means a lack of affordable housing to support people in need, including people receiving social assistance.
- For First Nations, the complex set of relationships and jurisdictional issues between First Nations, the federal government, and provincial government makes it difficult to make progress on the broad set of issues underlying First Nations' experience with social assistance.

Lastly, there are also a number of complex interactions between social assistance and other income support programs.

For example, many people turn to social assistance during the application process for other programs, like EI or CPP-Disability (CPP-D), while they are awaiting a decision on whether they are eligible or during the waiting period before benefit payments begin. The current arrangements for the reimbursement of social assistance funds received during these periods are complicated, time-consuming and poorly coordinated. Work is going on between governments to improve some existing processes, but there may be other more efficient ways to improve these interactions. Examples include new investments in technology, improved policy coordination, and the development of a supplement or other pre-payment program within EI or CPP-D for applicants awaiting determination of eligibility.

Another problematic interaction happens between Rent Geared to Income (RGI) housing and social assistance. RGI housing provides separate rent scales for individuals on social assistance, and the amount people pay depends on their family size and whether they are receiving Ontario Works or ODSP. These scales also set a threshold for earnings. Above the threshold, an individual will switch from paying the amount set in the rent scale to paying 30 per cent of earned income. The problem with this interaction arises from the calculation of an individual's earned income. RGI calculates earned income based on actual earnings, not taking into account the 50 per cent earnings exemption that social assistance applies. As a result, people on social assistance end up paying disproportionately more for their housing as they begin to earn employment income. To improve the situation for tenants

receiving social assistance, a change to the RGI housing method of calculation would be required, determined through discussions between the Province and municipalities.

DISCUSSION QUESTIONS

- Are there major and problematic program interactions that we have not mentioned here?
- What position should the Commission recommend that Ontario consider taking on specific intergovernmental issues, including First Nations issues, related to income security?

Chapter 6:
First Nations and Social Assistance

> *The Commissioners will be expected to hold separate and substantive discussions with First Nations to ensure reforms that reflect their needs and priorities.*
>
> –TERMS OF REFERENCE FOR THE REVIEW

In keeping with our mandate and to ensure that approaches to reform reflect the unique needs and priorities of First Nations, we held separate discussions with First Nations communities and Ontario Works administrators from across the province. We engaged with First Nations through a variety of channels:

- The Chiefs of Ontario Committee on Social Services
- Communities and political leadership through attendance at Annual General Assemblies and at an All Ontario Chiefs Conference
- Organizing regional dialogue sessions across the province, which brought together First Nations in a particular geographic area
- Social assistance administrators, through the Ontario Native Welfare Administrator's Association (ONWAA), which included attending ONWAA's Fall Assembly, where sessions were specifically designed for us to hear and discuss the many challenges and options for reform for First Nations in different regions across the province

This strategy allowed us to hear from First Nations' individuals living in diverse communities and circumstances.

To incorporate the views and experiences of Aboriginal people living off-reserve, we attended the Annual General Meeting of the Ontario Federation of Indian Friendship Centres (OFIFC). OFIFC staff, along with local Friendship Centre staff, attended seven of the 11 community conversations in which we

participated. They also organized an additional eight community conversations in Northern communities.

The discussions we had with First Nations have informed the approaches we set out in previous chapters. We encourage readers to review these chapters and take into account the impact for First Nations of the proposed approaches to reform that we are presenting. In this chapter, we are looking at a broader set of issues that also need to be considered to address the unique needs of First Nations with respect to social assistance.

> Chapter 1 considers possible delivery changes to improve access to employment services and supports. Chapter 4 also raises the suggestion that First Nations with the interest and capacity could take on delivery of both Ontario Works and ODSP in an integrated one-stop model.

Through our discussions, and the submissions we received, we heard about many challenges facing First Nations communities and individuals in Ontario. We learned that we need to think differently about social assistance in First Nations communities, always mindful of their unique historical, legal and cultural context. It became clear that poverty and the social assistance dependency we see today is a product of the historical relationship between First Nations and the Canadian government through the provisions of the *Indian Act*. Loss of land, loss of self-sufficiency, loss of culture, and the trauma inflicted during the residential school period have resulted in economic marginalization and a number of other symptoms. These include elevated rates of drug and alcohol use, high suicide rates, family violence, high intervention rates by child welfare services, and poverty.

In meetings and submissions, First Nations described their history and the continued negative impacts of the colonial legacy. They described the journey of healing that is required to fully restore individual and community capacity, which is necessary to facilitate meaningful participation in the economy.

Many of the First Nations we met with expressed deep frustration with the social assistance system. According to many of them, dependence on social assistance represents failure to address the conditions that created it. It has become a social and economic trap. First Nations told us that the social assistance system continues to entrench First Nations in poverty by hindering

community economic development and replacing it with complacency and reinforced social barriers. They expressed a strong desire to reform social assistance as a means to elevate individuals out of dependence and thereby build healthier, self-sustaining communities.

A number of First Nations leaders and administrators spoke to us about the need to develop a new relationship for working with the provincial and federal governments. They also spoke of the desire to regain control over their futures through increased control over social services. ONWAA spoke to us about four principles, previously adopted at an All Ontario Chiefs Conference, with respect to First Nations social assistance reform:[14]

- "Social services must be First Nation controlled – provided under the authority and sanction of First Nation government and fully accountable to First Nation members;
- Social services must be First Nation determined – designed and developed within the community by the membership;
- Social services must be First Nation specific – designed to address community needs in harmony with local culture and social structure; and
- Social services must be First Nation based – managed and delivered within the community"

ONWAA and First Nations leadership both told us that continuing to operate under the current framework is not sufficient. They want to move beyond the current framework, respecting these principles, to foster community development and address the underlying causes of poor social and economic outcomes. Some communities suggested pilot projects as a first step.

In the long term, reform will involve opening discussions between First Nations and the provincial and federal governments and creating opportunities to move beyond the current framework and the current definition of roles and responsibilities. Although a Tripartite Process on Social Issues was established in 2009, it has a limited mandate. First Nations told us that there needs to be a more substantive mechanism in place that allows for

[14] These principles are discussed in more detail in Ontario, Minister's Advisory Group on New Social Assistance Legislation in Ontario (1992), *First Nations Project Team report: Principal report on new social assistance for First Nations in Ontario*, p. 12.

tripartite discussions between First Nations leadership and the federal and provincial governments.

We also heard about jurisdictional disagreements and inconsistencies between the federal and provincial governments that affect the wellbeing of First Nations communities. Funding for education on-reserve came up in many of our discussions. People spoke about lower per-student funding from the federal government on-reserve, as compared with the provincial funding available for students in Ontario's publicly funded education system. This contributes to low high school completion rates and low educational achievement for First Nations people and high rates of youth receiving social assistance when they turn 18.

In Ontario, the 1965 Indian Welfare Services Agreement governs the terms of agreement between the Province and the federal government for the payment and delivery of social assistance, as well as a selection of other programs for First Nations people delivered by the Ministry of Children and Youth Services (child welfare), the Ministry of Education (childcare), and the Ministry of Health and Long-term Care (homemakers). First Nations are not signatories to the Agreement. Ontario takes the responsibility for administering programs and the federal government reimburses the Province for the costs according to a formula set out in the agreement.

It should be noted that ODSP is not covered by the 1965 Agreement. A number of First Nations and ONWAA representatives pointed to the multiple barriers for First Nations in accessing ODSP, including not having ODSP staff located on-reserve and difficulty accessing the medical resources required to obtain proper documentation for applications. Some First Nations called for the inclusion of ODSP in the 1965 Agreement. As with the current framework for First Nations and social assistance, they want to have meaningful discussions on that issue, with all three parties at the table.

The federal government, through the Department of Aboriginal Affairs and Northern Development Canada (AANDC), is expected to cover 50 per cent of what is considered the "municipal share" of the cost of administration and employment services for Ontario Works. This is reflected in cost-sharing arrangements between the Province and municipal deliverers. The federal government also pays for approximately 93 per cent of the cost of financial assistance and benefits. In community meetings and submissions, First Nations vehemently expressed dissatisfaction with the federal government's

position on cost-sharing for administrative funding. They said that the federal government is not living up to the spirit of the 1965 Agreement, and it funds First Nations at a lower amount per case for the cost of administration than is envisaged in the funding model set out by the Province. This undermines the ability of First Nations to meet provincial program requirements and breaks down trust between Canada and First Nations.

The longer-term goal is change that fundamentally shifts the relationship between First Nations people and the provincial and federal governments, but First Nations identified a number of changes that can be made within the existing social assistance framework to improve outcomes in the shorter term. Many of these options are reflected in the approaches set out in earlier chapters.

As noted in Chapter 1, people spoke about the importance of being able to access employment services and supports along a broader continuum leading toward job readiness. Supports should be culturally appropriate and developed within the community, respect local structures, be integrated with other policies and programs related to First Nations social and economic development, and be connected to the local economy and sustainable employment.

The lack of job opportunities on-reserve, in some Northern cities, and in communities close to many First Nations, presents another barrier for First Nations people who are seeking employment but have concerns about leaving their cultural communities. For some First Nations people, leaving their home communities to take a job in a non-First Nation cultural environment can be difficult. Discrimination compounds this challenge and becomes a further barrier for First Nations people who do enter the workforce outside of their communities.

ONWAA also recommended that the Addictions Services Initiative be extended to all First Nations employment assistance delivery sites to address pressing mental health and addiction challenges. Consideration should be given to how these programs are integrated with federal mental health and addiction services where they are available. It was stressed that in urban centres, it is important to develop Aboriginal-specific services related to improving mental health and addiction treatment outcomes.

On the benefit structure, ONWAA highlighted the cost of food in Northern and remote communities. One example showed pictures of prices in the only grocery store: $5.69/kg for bananas, $67.39 for a box of 116 diapers and $17.69 for a 10-lb bag of potatoes. In some remote communities, there are no nearby stores and obtaining basic necessities involves high transportation costs. The current benefit structure does not adequately reflect the true cost of living, such as a nutritious diet, nor does it account adequately for regional variations in costs.

As noted earlier, the current rules also fail to reflect realities. For example, they do not make exceptions for items used for traditional First Nations cultural purposes, such as snowmobiles and fishing and hunting equipment, which may promote self-sufficiency. Another example is the Living with Parents rule. This affects almost all First Nations communities negatively, because housing shortages do not afford many adult children the option of moving out of a family home.

First Nations administrators also discussed the need for investment to update their technology capacity, including high-speed Internet access and access to the provincial databases and technology available to municipal deliverers of Ontario Works.

With respect to service delivery, a number of First Nations are using innovative approaches through group delivery of Ontario Works financial supports and employment services, with increased investment from the Province. Stepping Stones Support Services now serves five communities in southwestern Ontario. North Shore Tribal Council delivers the full Ontario Works program to seven communities across its geographic region. The Kenora Chiefs Advisory provides administrative services on a purchase-of-service basis to seven communities. These arrangements have improved the administrative and organizational capacity to deliver financial and employment supports and expanded the scope of services available, which has translated into better outcomes for people.

Through the discussions described above, along with the submissions and our own research, we gained a clearer sense of the First Nations experience with social assistance. In our recommendations, we will be considering the feedback we receive on the possible approaches to reform as discussed in this chapter and throughout this paper.

DISCUSSION QUESTIONS

- How well do the various approaches set out in the previous chapters align with First Nations' desire for greater control and flexibility with respect to social assistance reform? What other approaches should be considered to meet the needs of First Nations?

- What position should the Commission recommend that Ontario take with the federal government on issues related to First Nations and social assistance?

Chapter 7:
How to Provide Input

This paper asks questions to obtain your input on approaches to transforming social assistance and on broader issues that affect the system. The questions from each chapter are repeated, beginning on page 58.

The Commission would like to receive your input by **Friday, March 16, 2012**, in order to consider it in the development of its final recommendations to government in June.

There are several ways to share your views with the Commission.

Online

You can go to the Commission for the Review of Social Assistance in Ontario website at www.socialassistancereview.ca to download this paper, complete the online Workbook, or make a submission.

There is also a form on the website that you can use to send the Commission a short comment of about 150 words.

You can also email your comments to us at socialassistancereview@ontario.ca.

Mail or Fax

You can mail submissions to

Commission for the Review of Social Assistance in Ontario
2 Bloor Street West
4th Floor, Suite 400
Toronto, ON
M4W 3E2

Or fax your comments to

416-212-0413

What We Heard

In addition to this paper, the Commission has prepared a separate report, *What We Heard: A Summary of Discussions on Social Assistance*. It provides greater detail on the input on the discussion paper released in June 2011 received by the Commission through written submissions (workbooks, short comments, longer submissions), community conversations, stakeholder meetings, and discussions with First Nations. This report is posted on the Commission's website: www.socialassistancereview.ca.

For More Information

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Discussion Questions

Chapter 1: Reasonable Expectations and Necessary Supports to Employment

- How can employment services be made more effective?
- What should the Commission recommend to encourage greater consistency in effective employment services and supports for social assistance recipients, while still allowing for local flexibility and innovation?
- Should standard assessment tools be used to identify people's needs and match them to appropriate services and supports?
- What should be considered appropriate employment-related activity participation requirements for people with disabilities? Should participation requirements for people with disabilities be different from those for other people receiving social assistance?

- Should a tool be developed to assess the work capacity of people with disabilities? If so, how should the tool be developed and how should it be used?
- What kinds of engagement strategies and incentives would be most effective in encouraging and supporting employers to hire more social assistance recipients?
- Which approach would be most effective in improving the delivery of employment services?

Chapter 2: Appropriate Benefit Structure

- Which adequacy and wage benchmarks should be used to set rates? Are there other measures that should be considered?
- In a methodology for setting rates, what proportions would balance adequacy, fairness and incentives?
- Should health benefits be provided to all eligible low-income Ontarians? If so, how should the cost be covered?
- Should Ontario use a two-rate approach, based on how long someone requires social assistance? If so, should there be exemptions from starting at the lower short-term rate?
- Would an earned income supplement be a good mechanism to increase the incentive to work? If so, how should it be designed?
- Would a housing benefit improve fairness and the incentive to work? If so, how should it be designed?
- How should income supplements for low-income people with disabilities be designed and delivered? Should such supplements be provided outside the social assistance system?
- Should there be a separate basic income program for people with severe disabilities who are unlikely to generate significant earnings?
- How should the current rate structure be changed to reduce complexity?

- Should some special benefits be rolled into a standard rate? If so, which ones?
- Should the special dietary needs for all low-income people, including those receiving social assistance, be addressed through the Ministry of Health and Long-Term Care?
- How should the different rates for different family types be established?

Chapter 3: Making the System Easier to Understand

- Should the social assistance system move from a surveillance approach toward an audit-based system of verification and monitoring?
- What penalties would be required and feasible in an audit-based system?
- What is the right level of risk tolerance, in either the current system or an audit-based system?
- Should asset limits be changed? If so, how?

Chapter 4: Viable for the Long Term

- What are the strengths and weaknesses of these three approaches to the delivery of Ontario Works and ODSP? Are there other approaches that should be considered?
- Should full responsibility for Temporary Care Allowance or Assistance for Children with Severe Disabilities be transferred to the Ministry of Children and Youth Services?

Chapter 5: An Integrated Ontario Position on Income Security

- Are there major and problematic program interactions that we have not mentioned here?
- What position should the Commission recommend that Ontario consider taking on specific intergovernmental issues, including First Nations issues, related to income security?

Chapter 6: First Nations and Social Assistance

- How well do the various approaches set out in the previous chapters align with First Nations' desire for greater control and flexibility with respect to social assistance reform? What other approaches should be considered to meet the needs of First Nations?

- What position should the Commission recommend that Ontario take with the federal government on issues related to First Nations and social assistance?

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Appendices

Appendix A: Measures of Low Income

Low Income Measure (LIM)

LIM thresholds are calculated as a percentage of median household income (50 per cent of median income is generally used). "Median income" is the middle point if all incomes are lined up in order from lowest to highest.

LIM thresholds are available based on market income, before tax income, and after tax income for a four-person household. Other household sizes are calculated using an "equivalence scale" that takes into account the relative needs of different family sizes.

Market Basket Measure (MBM)

The MBM is a measure of low income based on the cost of a basket of goods and services representing a modest, basic standard of living. The basket includes a nutritious diet, clothing and footwear, shelter, transportation, and other necessary goods and services (such as personal care items and household supplies).

Persons or families are considered to have low income if their disposable family incomes fall below the MBM threshold for their communities. "Disposable income" is the income remaining after paying the following:

- Income taxes
- The personal portion of payroll taxes
- Other mandatory payroll deductions, supplementary health plans and union dues
- Child support and alimony payments made to another family
- Out-of-pocket spending on childcare
- Non-insured but medically prescribed health-related expenses such as dental and vision care, prescription drugs, and aids for persons with disabilities

The MBM thresholds are produced by Statistics Canada for a reference family of two adults and two children (one female parent, one male parent, one girl aged 9 and one boy aged 13). As with the LIM, an equivalence scale determines income thresholds for other family sizes.

The MBM thresholds are available for 48 cities and regions in Canada. In Ontario, the MBM regions are Ottawa, Toronto (GTA), Hamilton-Burlington, rural areas, cities under 30,000 people, cities between 30,000 and 99,000, and cities between 100,000 and 499,000.

Low Income Cut-Offs (LICOs)

LICOs thresholds are intended to identify the income level below which a family is likely to devote a larger share of its income to food, shelter and clothing than the average family.

The LICO thresholds were last rebased in 1992. At that time, the average family spent 43 per cent of after-tax income on food, clothing and shelter necessities. A family spending 20 per cent more than this average of their income on necessities would be in difficult financial circumstances.

Since 1992, LICO has not been rebased, but has been updated by the Consumer Price Index. LICOs are now published for five different population sizes and families of up to seven people, on a before- and after-tax basis.

Appendix B:
Social Assistance Incomes Compared with Low Income Measures

NOTE: Social assistance income and the low income measure thresholds do not include the value of health-related benefits available to social assistance recipients.

	Social Assistance* (A)	Fed./ Prov. Tax Credits** (B)	Income (A + B)	LICO ***	Income as % of LICO (%)	LIM***	Income as % of LIM	MBM***	Income as % of MBM
Ontario Works									
Single Adult	$7,104	$848	$7,952	$18,759	42%	$18,973	42%	$16,550	48%
Sole Parent, 1 Child [+]	$11,064	$7,276	$18,340	$22,832	80%	$26,832	68%	$23,405	78%
Sole Parent, 2 Children [++]	$11,652	$11,974	$23,626	$28,430	83%	$32,862	72%	$28,665	82%
Couple, No Children	$12,252	$1,409	$13,661	$22,832	60%	$26,832	51%	$23,405	58%
Couple, 1 Child [+]	$12,840	$7,547	$20,387	$28,430	72%	$32,862	62%	$28,665	71%
Ontario Disability Support Program									
Single Adult	$12,636	$964	$13,600	$18,759	72%	$18,973	72%	$16,550	82%
Sole Parent, 1 Child [+]	$17,568	$7,314	$24,882	$22,831	109%	$26,832	93%	$23,405	106%
Sole Parent, 2 Children [++]	$18,312	$12,016	$30,328	$28,430	107%	$32,862	92%	$28,665	106%
Couple [+++], No Children	$19,212	$1,447	$20,659	$22,831	90%	$26,832	77%	$23,405	88%
Couple [+++], 1 Child [+]	$19,956	$7,589	$27,545	$28,430	97%	$32,862	84%	$28,665	96%

* Based on annualized maximum shelter and basic needs rates as of Dec. 2010 for communities located south of the 50th parallel.

** Federal tax credits include the Canada Child Tax Benefit (CCTB), National Child Benefit Supplement (NCBS), Universal Child Care Benefit and Goods and Services Tax Credit. CCTB and NCBS are annualized based on the 2010-11 benefit year. Provincial tax credits include the 2010 Ontario Child Benefit, the 2010 Ontario Energy and Property Tax Credit and the 2010-11 Ontario Sales Tax Credit.

*** LICO is after tax Low Income Cut-Off adjusted to 2010 by the Consumer Price Index (CPI) for communities with a population above 500,000. LIM is the after tax Low Income Measure adjusted by CPI to 2010. MBM is Market Basket Measure threshold for Toronto adjusted by CPI to 2010.

[+] Assumes the child is under 6 years of age.

[++] Assumes one child is under 6 years of age.

[+++] Assumes that the spouse is not a person with a disability as defined by the *ODSP Act, 1997*.

Appendix C: Ontario Works and ODSP Asset Limits and Exemptions

ONTARIO WORKS AND ODSP ASSET LIMITS* (as of December 2011)

Benefit Unit Type	Ontario Works	ODSP
Single	$599	$5,000
Single parent with 1 child	$1,645	$5,500
Couple	$1,032	$7,500
Couple with 1 child	$1,722	$8,000
Each additional child	$500	$500

* Non-exempt assets include items such as cash, bonds, debentures, stocks, certificates, and other property that can be readily converted into cash, even if a financial penalty must be incurred to do so.

SELECTED ONTARIO WORKS AND ODSP ASSET EXEMPTIONS

Asset	Ontario Works	ODSP
Principal residence	Full value	Full value
One motor vehicle	$10,000	Full value
Additional motor vehicles (if necessary to maintain employment)	$10,000	$15,000
Business assets	$10,000*	$20,000**
Tools of the trade	Full value	Full value
Locked-in Registered Retirement Savings Plans (RRSPs)	Full value	Full value
Registered Education Savings Plans (RESPs)	Full value	Full value
Awards for pain and suffering	$25,000	$100,000**
Awards under various settlement agreements (e.g., Hepatitis C Assistance Plan, Grandview Agreement)	Full value	Full value
Cash surrender value of a life insurance policy	Not exempt	$100,000
Prepaid funeral plans	Full value	Full value
Registered Disability Savings Plans	Full Value	Full Value

* The Ontario Works Administrator may approve an exemption for business assets up to $15,000.
** The ODSP Director may approve a greater exemption amount under certain circumstances.